HOUSE OF COMMONS
CHAMBRE DES COMMUNES
CANADA

Standing Committee on International Trade

CIIT • NUMBER 114 • 1st SESSION • 42nd PARLIAMENT

EVIDENCE

Tuesday, June 19, 2018

Chair

The Honourable Mark Eyking

Standing Committee on International Trade

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● (1305)

[*English*]

The Chair (Hon. Mark Eyking (Sydney—Victoria, Lib.)): I call the meeting to order.

Good afternoon, everyone, and welcome to what is probably the last meeting of the Standing Committee on International Trade before the House rises. Before I go on, I'd like to thank the clerk, our analysts, and all our supporting staff who have helped us get through this very busy year. Our committee has been very busy.

Minister, as you know, we're dealing with the EU, the Pacific Alliance, the ASEAN countries we visited, and Mercosur. Of course, one of the most important studies that we did was on NAFTA, which had us travelling to the United States a few times.

Again, welcome. Thank you for being here despite your busy schedule and thank you for all the hard work you're doing. Congratulations on your very prestigious award.

We are of course going to give you opening comments, and then we'll have interaction with the MPs. We're going to try to get two rounds in today, so we hope everybody stays within their time when we get started with the MPs. I'm going to hit that button when it turns red, when you have 30 seconds. I'm going to be very close on the time because I want to get everybody in.

Without further ado, again, welcome, Minister. You have the floor.

Hon. Chrystia Freeland (Minister of Foreign Affairs): Thank you very much, Mark. Thank you, everyone. It has been a busy year for all of us, and I would like to join Mark in thanking the people who work so hard to make the work of this committee possible.

I am joined here by two people well known to the committee and to Canadians: Tim Sargent, Deputy Minister for International Trade, and Steve Verheul, who, as I think people know, is our chief NAFTA negotiator.

I'll make some opening remarks and then I'll be happy to answer questions.

I'd like to begin by acknowledging that we're gathered on the traditional territory of the Algonquins.

I'm here today to speak about anything people ask me about, but chiefly about the Canada-U.S. trade relationship. It is that part of my set of responsibilities that is of specific interest, I think, to this committee.

I want to start by taking this opportunity to thank Canadians and leaders from across the country for our unified Team Canada approach to this specific issue. I am very humbled and very appreciative of this effort, and I want to specifically recognize Canada's premiers, labour leaders, business leaders, and members of the NAFTA Council for their tremendous work to date. I do want to acknowledge the work of members of Parliament from all parties, very much including the members of this committee, mayors, civil society, and frankly, many Canadians who have been personally involved and engaged in this effort.

I think there is a broad national recognition that this is a consequential issue for our country. I certainly feel that when I talk to my constituents—or really, I should say, when my constituents talk to me—and I imagine that all of you have had the same experience.

The Canada-U.S. economic relationship is an essential one. One of the things that has been so valuable to Canada is the fact that we are playing as a united team. That is essential. It sends a powerful message to all Canadians and a very powerful message to the United States.

● (1310)

[*Translation*]

Mr. Chair, dear colleagues, thank you for giving me this opportunity to address the committee today.

I will do my best to explain point of view of the government on the tariffs imposed by the United States on Canadian steel and aluminum, and more generally on the status of NAFTA negotiations.

Allow me to begin with tariffs.

Canada is a friend and ally of the United States, and its closest neighbour. We share the longest non-militarized border in the world. Our soldiers fought together and died side by side during the First World War, the Second World War, the Korean War, and in Afghanistan and Iraq. As I have said on several occasions, the idea that we might constitute a threat to American national security—the pretext invoked by our neighbours to impose these tariffs on Canadian steel and aluminum exports—is not only absurd, it is hurtful.

[*English*]

These section 232 tariffs, Mr. Chair, are illegal under WTO and NAFTA rules. In fact, we have initiated a case at the WTO and have raised a case under chapter 20 of NAFTA.

As a supporter of the rules-based international order, very much including in trade, it was important for Canada to take this legal action, and I'd like to take this opportunity also to thank the very hard-working, committed, and creative Government of Canada trade lawyers who've been working very hard on this file.

Now Canada has no choice but to retaliate with a measured, perfectly reciprocal, dollar-for-dollar response, and we will do so. On May 31, the Prime Minister and I announced that Canada intends to impose tariffs on imports of steel and aluminum and other products from the United States, representing the total value of 2017 Canadian exports affected by the U.S. measures. That is $16.6 billion, Mr. Chair, Canada's strongest trade action since the Second World War.

Since we made that announcement, we have published two lists, one list that will be subject to a 25% tariff and a second list that will be subject to a 10% tariff. These countermeasures will only apply to goods originating from the United States. They will take effect on July 1 and will remain in place until the United States eliminates its trade-restrictive measures against Canada.

Consultations on these lists concluded on June 15.

I'd like to make a particular point, Mr. Chair, that in putting together these lists, the government and our fine officials have worked really hard to find lists that have the minimal impact on Canadians. Where possible we have sought to avoid intermediate goods and to put products on the list that can be easily sourced from either Canadian or other non-U.S. suppliers.

I'd like to take this opportunity to thank all the Canadians who have been very actively engaged in the consultations on these lists, including through their members of Parliament. I've heard directly from many MPs, including members of this committee, about feedback you've had from your constituents and your stakeholders about what should be on the lists. That has been very useful.

Although the formal consultation period is finished, we are still interested in feedback from Canadians. They should be in touch with the government, with Steve and his team, with the Department of Finance, and of course people can always be directly in touch with me. As we take these steps in response to the section 232 tariffs, we act in close collaboration with our like-minded partners in the European Union and Mexico. It's important to point out that these countries, also subject to the section 232 tariffs from June 1, are also allies of the United States.

Mr. Chair and colleagues, we know that no one will benefit from this beggar-thy-neighbour approach to trade. The price will be paid in part by American consumers and by American businesses. I think we all agree that it is important for Canada to stand in defence of the international rules-based order, and we will do so. Canada's policy will be that we will not escalate and we will not back down. Judging by the feedback I have received in the past few weeks, countless Canadians of all political points of view agree. Very many have come out in support of our decision to defend Canadian workers, and I would like to thank all members of the House of Commons, particularly Tracey Ramsey, for the unanimous consent motion that we all passed supporting this action. I think that was a very strong measure; I have shared it with our counterparts in the United States. I'm glad we were able to do it. It's a testament to Canadian unity on this issue, and I'd like to thank provincial and territorial leaders, including Premier-designate Ford, Premier Moe, and Premier Horgan, as well as the CLC and so many others for their support.

One thing I do want to point out, Mr. Chair, is that this unjustified section 232 action by the United States is quite separate from the ongoing negotiations between Canada, the United States, and Mexico to modernize NAFTA. As far as Canada is concerned, these are entirely separate issues, and I'd like to point out this is also the case under U.S. law, given that section 232 is a national security provision.

We know that NAFTA is very much to the advantage of all three NAFTA countries. When it comes to trade between Canada and the United States, our relationship is balanced and mutually beneficial. In fact, in goods and services overall, the U.S. has a slight trade surplus with Canada. The U.S. also has a surplus in trade in manufactured goods, in agricultural goods, and perhaps particularly relevant today, in trade in steel. As I know all of us are very well aware, Canada is the largest market for the United States—larger than China, Japan, and the U.K. combined.

A modernized win-win-win deal that benefits all three NAFTA partners is possible, Mr. Chair, and we continue to work hard and patiently to achieve this outcome. That was the point I made last Thursday when I met with Ambassador Lighthizer in Washington and again when I spoke to him over the telephone yesterday.

I also had a constructive conversation with U.S. Secretary of State Mike Pompeo on Saturday, which included a discussion of NAFTA and the section 232 tariffs. I remain convinced that there is goodwill and a desire to move forward on the NAFTA negotiations, and we have heard that publicly from Secretary Pompeo as recently as yesterday.

Our government feels that now we can continue working on the NAFTA negotiations. We will be working hard over the summer.

Thank you very much.

I'm happy to answer people's questions now.

● (1315)

The Chair: Thank you, Minister.

We're going to dialogue with the MPs. I'm going to be very strict; as soon as that light is red, it means you have 30 seconds, so if you want to get a short one in, you're going to have to be quick, and maybe the minister can have a quick answer.

Without further ado, we're going to start with the Conservatives' Mr. O'Toole, the member for Durham.

Welcome. You're going to share your time with Mr. Allison for five minutes. Go ahead, sir.

Mr. Dean Allison (Niagara West, CPC): Thank you.

Minister, thank you for all the hard work on this file. Mr. Verheul, to you and your team, I know there have been a lot of hours spent on this, and it's not an easy one.

I may respectfully disagree by saying that section 232 and NAFTA are linked, certainly from the President's point of view. As a matter of fact, 10 minutes before this committee started, Mr. Trump tweeted that Canada is not going to take advantage of the United States anymore.

We've seen these tweets before, and they continue to happen. It seems that everything he tweets ends up actually happening at some point in time.

When we chatted last week about tariffs, I was concerned about schedule I not going into force right away. You said you wanted to consult and try to get the right deal in place. I would say that more than ever, the industry needs certainty.

Today I want to talk about schedule II briefly. I've heard from a lot of companies: KingFisher boats, Whirlpool, JEM Strapping Systems, Okanagan Spring Brewery, Steelway Building Systems, GGS Structures, and the list goes on. They are really concerned about how schedule II will possibly affect them by making it more expensive and less competitive. I think any kind of protracted trade war is not going to go well for Canada, given the size of the United States.

We want a comment on schedule II this time. I asked you about schedule I last week. What are your thoughts around how you got to that list and whether you feel you balanced the businesses versus the trade aspect?

Hon. Chrystia Freeland: Thank you very much for the question.

Thank you, Dean, if I may. Can we be on a first-name basis? I'm happy for people to call me by my first name. Thank you for your hard work on this issue and for working so closely with stakeholders.

As I said, the formal consultation period closed on June 15. We are now taking in all of the very detailed, extensive feedback we've had from stakeholders. We will be using that feedback to modify the list. That is why the consultation period is so essential. It is a period that we use to hear directly from affected stakeholders and to get the best possible list for Canadians.

Like you, I have heard from people in the boating sector, and that is feedback that we are taking very seriously.

I know it's clear to you, but I do want to reiterate so that it's clear to Canadians. What we published on May 31 was a preliminary set of lists. The consultation period is real and meaningful. It has been important for us to hear from Canadians about what they want to see on the lists and what they don't want to see on the lists. Steve and the team and I and our colleagues in the Department of Finance are now working very hard to integrate that feedback from stakeholders and to modify the lists accordingly.

● (1320)

Mr. Dean Allison: Thank you.

I'll turn the rest of the time over to Mr. O'Toole.

The Chair: Mr. O'Toole, you have two minutes.

Hon. Erin O'Toole (Durham, CPC): Thank you, Minister.

Last July, when President Trump alluded to the use of section 232 and specifically tweeting about the dumping of steel and aluminum, it was considered at that time that he was focused on China, but Canada did not change our country of origin marking with respect to these dumping concerns until May 2018, a full year later.

When Mr. Hoback and I went to Washington in February, we were bringing up steel and aluminum tariffs with many officials for the first time. That is what they said. When did Canada start reacting to the threat posed by section 232 tariffs and the administration's concerns about steel from outside North America?

Hon. Chrystia Freeland: Canada began our conversation with the United States about section 232 on steel and aluminum as soon as this issue was raised in the United States. It was an issue that was raised by Secretary Ross. It was a Department of Commerce investigation. I had many conversations with him, beginning as soon as this investigation was launched last spring.

The Prime Minister discussed this directly—

Hon. Erin O'Toole: Could I stop you there, Minister?

Hon. Chrystia Freeland: No, I haven't finished my answer.

Hon. Erin O'Toole: Why no action until May 2018?

Hon. Chrystia Freeland: I haven't finished my answer, though, if I may.

The Prime Minister discussed this directly with the President of the United States. I was present at that discussion at the G7 summit in Taormina, Italy. That was in June 2017.

I want to be very clear. There were many subsequent conversations.

Hon. Erin O'Toole: The country of origin marking—

Hon. Chrystia Freeland: I want to be clear with Canadians that this issue has been raised by our government at the highest levels. It was also an issue that I raised with Secretary Tillerson and with Ambassador Lighthizer, and it was raised by many other ministers and MPs—

Hon. Erin O'Toole: Minister, I have no doubt—

Hon. Chrystia Freeland: In terms of the global safeguards—

Hon. Erin O'Toole: Why so long until the move on the—

The Chair: Excuse me.

Hon. Chrystia Freeland: I can't talk about safeguards?

The Chair: No.

Hon. Chrystia Freeland: Okay. I'll do that with somebody else.

The Chair: I would remind MPs not to be throwing questions in there in the last 10 seconds.

We're going to move on to the Liberals.

Madam Lapointe, you have the floor.

[*Translation*]

Ms. Linda Lapointe (Rivière-des-Mille-Îles, Lib.): Thank you very much, Mr. Chair.

I want to welcome you and your entire team, Madam Minister.

In your opening statement, you said that the leaders of the business world, unions and the premiers of the various provinces had helped you. I would like you to tell the committee how you worked with the Government of Quebec in particular, but also with Quebec unions and enterprises, to hear their concerns about the NAFTA negotiations.

In what way did the federal government and the Government of Quebec participate in the negotiations?

Hon. Chrystia Freeland: Ms. Lapointe, thank you for your question, and for your hard work.

As I said in my comments, we work closely with all of the provinces, including Quebec of course. Mr. Verheul and his team speak directly with Quebec government officials. For my part, I had many discussions with ministers St-Pierre and Anglade, and even spoke directly with Premier Couillard.

The Province of Quebec has very effective representation in the United States. It is a pleasure to work with that province, and it's very important to do so. We also worked with Quebec unions and businesses such as forestry companies, and enterprises in the aerospace and aluminum sectors.

As you know very well, there are very strong economic ties between Quebec and the United States. It was very helpful for the federal government to work with all of the provinces, including Quebec.

● (1325)

Ms. Linda Lapointe: Thank you very much.

There are several issues involved in the NAFTA negotiations, some of which are more controversial than others. You spoke of the work done on the more technical issues in NAFTA. Although they might not always be as interesting or as exciting, those chapters are often very important for those who do business across the border, and have North American supply chains.

Can you tell us a bit more about that?

Hon. Chrystia Freeland: That is a very good question. I see that Mr. Verheul is very happy that you asked it.

The team of negotiators and I consider that these chapters are about modernization. As you said quite rightly, these chapters are not as interesting as others to journalists, but they are very important to Canadians who do business with the United States. Before the negotiations began, we consulted enterprises and workers. To them, the most important issues are trade-related. We have made progress on these issues. That is one of the reasons why I am finally optimistic with regard to the NAFTA negotiations.

It is worth pointing out that NAFTA is a good agreement, but it has been in effect for close to 25 years. We are taking advantage of this precious opportunity to modernize it and adapt it to the 21st century. There is good co-operation among the three countries' negotiators on the modernization chapters.

Ms. Linda Lapointe: Thank you.

Those chapters are mainly about non-tariff barriers, correct?

Hon. Chrystia Freeland: That is correct. I can provide a few more details.

[*English*]

The Chair: Please give just a quick answer there, Minister.

[*Translation*]

Hon. Chrystia Freeland: Fine.

To date, negotiators have concluded discussions on nine chapters: technical and commercial barriers; North American competitiveness; good regulatory practices; sanitary and phytosanitary measures; publications and administration; small and medium businesses; the fight against corruption; telecommunications; and competition policies.

[*English*]

The Chair: Thank you.

Thank you, Madam Lapointe.

We'll move over to the NDP.

Madam Ramsey, you have the floor.

Ms. Tracey Ramsey (Essex, NDP): Thank you.

Thank you, Minister, for your words today. I would like to thank your and all of the colleagues on the committee for supporting the motion this week. I think it was very important for us to stand united for Canadians to see where we are at.

My first question is going to focus on the immediate concern of workers in the steel and aluminum sector who find themselves.... I have to agree with my colleague, I believe we should have done retaliatory tariffs immediately on steel and aluminium. Now we've put some workers in precarious positions. I know that you've had USW and Unifor calling for support for workers in those sectors.

My question is simply this: what is the government doing? What will they offer to these affected workers?

Hon. Chrystia Freeland: Again let me thank you for the work we did together on the unanimous consent motion. Thank you for taking such a leading role there.

I agree with you that it is very important for our steel and aluminum workers to know that they have the full support not only of parliamentarians, which I know they have, but also of the Government of Canada.

I, in consultation with my colleagues Navdeep Bains and Bill Morneau, am currently working on ways to support those workers and those industries. I would like to say to this committee and to all Canadians that we absolutely believe those workers, those industries, need our support. I want to point out that the imposition of the retaliatory tariffs is one part of that support. When Canadian workers and Canadian companies now face tariffs selling their steel and aluminum to the United States, it is not fair that their U.S. competitors would not face parallel tariffs selling it to Canada. They will.

The actions that we're taking at the WTO and NAFTA are an important part of the defence. I agree that we need to work on ways to directly support workers and industry, and that work is under way. I would be very interested in ideas you have on the best way to do that.

● (1330)

Ms. Tracey Ramsey: Of course.

I hope that those conversations will include the labour organizations and the workers themselves and what it is that they are calling for.

My second question to you really is as a former auto worker of 20 years. It certainly is an important sector down in my riding of Essex. I'd be remiss if I didn't ask you about the looming potential tariffs from the section 232 decision on auto. TD Economics put out a report yesterday saying that one in five jobs could be lost as a result of the tariffs. We're talking about 160,000 potential jobs lost. It's been said that this will permanently reduce our long-term economic capacity as a country if this sector is decimated.

My question to you is this: What moves are we making to support auto workers and also towards a comprehensive auto strategy that isn't just about a pool of money but is also a strategy across the board in our country to combat the threat of these tariffs?

Hon. Chrystia Freeland: Okay. It's another really good question.

Just at the end, you said you hoped that anything that we're doing on the steel and aluminium industry includes talking to workers, talking to unions. I agree that this is absolutely necessary. That is something we are doing, and I'm committed to continuing to do it.

When it comes to the car sector and the investigation that the U.S. Commerce Department has begun on section 232 tariffs on autos, this is frankly even more absurd than the notion that Canadian steel and aluminum would pose a national security threat. I have raised the issue with Secretaries Ross and Pompeo, and also with Ambassador Lighthizer. We have made clear the Canadian view, and the Prime Minister has raised the issue directly with the President.

We believe, as has been our motto since the beginning of the NAFTA negotiations, that we need to hope for the best and work for the best possible outcome, but always be prepared for every eventuality. As you heard in the House of Commons yesterday from my colleague Navdeep Bains, that very much includes a comprehensive strategy of working with and supporting our automotive sector. I would also point out that just as we have worked closely with our allies in a response to section 232 tariffs on steel and aluminum, this is an issue that we are also discussing with our allies, including the European Union, Japan, and Mexico.

In terms of support for industries under the impact of tariffs, it is worth thinking for a moment about our forestry sector, another sector that has been affected by U.S. tariffs. The Government of Canada, I think with support of all parliamentarians, has stepped up to support those industries.

I'd like to point out, as I have—

The Chair: Sorry, Minister; the time is up. Maybe you can get to —

Hon. Chrystia Freeland: —in the United States, that the price of the tariffs have been passed on to U.S. consumers. That's an important point to make.

The Chair: Thank you.

We're going to move right over to the Liberals again.

Mr. Dhaliwal, you have the floor.

Mr. Sukh Dhaliwal (Surrey—Newton, Lib.): Thank you, Mr. Chair.

Minister, Deputy Minister, and Assistant Deputy Minister, welcome, and thank you for the great work that you're doing.

Minister, you mentioned that the Canada-U.S. relationship is very valuable, and the tariffs are insulting. It is not only you who feels that way. In fact, Canadians, American producers, workers, including companies like LMS, the Reinforcing Steel Group, and Bar-Zal Steel Supply Ltd. in my riding feel the same way, and they are concerned about the U.S. decision to impose these tariffs on steel and aluminum.

I know that government has said they will be ready. I heard from my constituents in Surrey—Newton, and they are very proud and I am very proud to see that the Prime Minister and you, Minister, were able to immediately announce the retaliatory measures on May 31 and have the consultation period to hear the views from the stakeholders about these strong measures that ended on June 15.

I know my constituents as well as I would be interested to see if you would be able to share more on these consultations that closed, as well as update industry stakeholders and, of course, the workers.

● (1335)

Hon. Chrystia Freeland: Thank you very much for the question, Sukh, and thank you for your hard work on trade in general and also on this issue, which I know is extremely relevant for your own constituents and for your own riding. I think it is really important for Canadian steel and aluminium workers to see their MPs stepping up and playing such a strong role.

When it comes to the lists and the consultation, the first point that bears emphasis is that work on these lists was going on very intensively far ahead of May 31, and I would like again to thank Steve Verheul and his team and the Department of Finance. The fact that we were able to come out immediately on May 31 is due to preparation done by very many people. I think it was a strong action on the part of Canada, and I'm glad we were in a position to do it.

The consultation period has also been very valuable and important, and I'd like to thank all Canadians who've provided feedback. It is led by the Department of Finance, which is directly responsible for this particular area. We've received a total of 1,108 submissions. We've received them from industry associations, from large corporations, from small and medium-sized enterprises, from provinces, from private citizens, and from workers.

We are currently hard at work looking at the lists, talking to people who made submissions, and working on refining the final lists. I think it is really important for us to get those lists right, and that is what we are committed to doing. I've heard from members of this committee directly, but I welcome continuing feedback from members of the committee, from all MPs, and from all Canadian stakeholders. The formal consultation period came to an end on June 15, but we are ready to continue hearing from people. It is really important for us to get this right, and that's what we're committed to doing.

Mr. Sukh Dhaliwal: Thank you. Also, Minister, you know the committee has extensively travelled to the U.S., and I'm sure the members on all sides agree that there has been a lot of protectionism from the U.S. administration about steel and aluminum tariffs. Ultimately, these tariffs are not only going to hurt Canadians but are also going to hurt the American economy as well. As you said, America is in surplus.

Would you be able to elaborate on what kind of long-term economic effect it will have on the U.S.?

Hon. Chrystia Freeland: Canada is a trading nation. We believe in trade, and we know that trade is a win-win relationship and that both partners benefit when trade happens. When we talk about the section 232 tariffs on steel and aluminum, we make the point about the national security justification being both illegal and absurd, because those are the grounds on which these tariffs are being levied, and it's really important to remind people that facts matter. The law matters. That is why that is where we start.

The Chair: Thank you—

Hon. Chrystia Freeland: Having said that—

The Chair: I'm sorry. That ends the first round.

Hon. Chrystia Freeland: Okay.

The Chair: Before we start the second round, I have two short questions for you, Minister.

In Nova Scotia, we have a huge tire manufacturer, Michelin, and they produce tires for cars, trucks, and various things. My two quick questions are these.

One, when they talk about "automobiles", is this just cars and trucks, and not big trucks? Second, when they talk "content", is that the whole vehicle, including the tires? Is it the whole package?

● (1340)

Hon. Chrystia Freeland: Again, I think it's important for us to be clear that when it comes to the section 232 investigation of cars, these are early days. We are at the beginning of the process. While we need to be prepared for every eventuality, it's important for us also to realize that we are in a process.

That said, the investigation as currently framed is on light vehicles, so that's cars and trucks, and it does concern all parts that are in a vehicle.

The Chair: Thank you.

We're going to the second round.

Mr. Hogg, welcome to our committee. You're from South Surrey—White Rock, which is a wonderful place. I visited there a few months ago and stayed for a while.

Go ahead, Mr. Hogg. You have the floor.

Mr. Gordie Hogg (South Surrey—White Rock, Lib.): Thank you very much.

Thank you, Minister.

I'm so old that when NAFTA was originally negotiated, I was the mayor of a border community, and I remember some of the angst and animosity that grew out of that. Subsequently I was a member of the legislative assembly and a cabinet minister, and I represented the Province of British Columbia on the Pacific NorthWest Economic Region. Having a fair amount of experience with a number of these things and trying to juxtapose what happened 25 years ago with what's happened today, I've been quite encouraged by the way that Canadians with the different political parties have come together and have addressed this situation.

I'm wondering if you can you talk a bit about what Sukh was asking about in terms of the engagement processes that have taken place. I think that the way we do what we do is often as important as what we do, and in some cases more important. Could you describe for me the processes that were engaged in, in terms of addressing it in a sensitive way that captured the values of Canadians in a meaningful way?

Hon. Chrystia Freeland: Thank you for that question.

Since you mention your own history with NAFTA, Tracey knows what I'm about to say, which is that my own personal history with NAFTA began when my mother unsuccessfully ran as the NDP candidate in Edmonton Strathcona. I'm afraid that the NDP back in the day was very anti-NAFTA, so I did knock on doors in Edmonton Strathcona in talking about that issue.

Some hon. members: Oh, oh!

Hon. Chrystia Freeland: She lost, though.

I think it is worth it for us as Canadians to reflect on that history. In the nearly 25 subsequent years, I think our country has really moved from quite a polarized view around trade, including trade with the United States, to a really unified Team Canada approach.

One of the things that is striking for me is the extent to which Canadians broadly understand the value of trade in general for our country. It doesn't mean we don't have disagreements about specific trade agreements or differing views about what should or should not be in trade agreements, but I think we have a broad appreciation that Canada is a trading nation and that trade is absolutely essential for the prosperity of middle-class Canadians and of everyone who is working hard to join the middle class. I think that is a very good thing. It's a strength for our country.

In these specific negotiations, I think there has been an appreciation from the very outset that on this issue, Canadians were all on the same side, Canada's side. I think we all appreciated that the best outcome for our country would come from all working together. I'm pleased to say that we have been successfully doing this.

We've been doing that partly through the role that members of Parliament have been playing, including this committee. If you don't mind my mentioning another committee, I think the foreign affairs committee has been playing a really strong role as well, as has the Canada-United States Inter-Parliamentary Group. The fact that we have had bipartisan groups of MPs going and talking to their U.S. partners has been extremely helpful.

I think something that has also been very valuable is that all of us —all legislators, the government, certainly our public servants— have been spending a lot of time talking to Canadians about their concerns on these issues. This broad consultative approach, I think, has helped to strongly inform our negotiating positions. We come to the table knowing what Canadians directly affected by a particular issue really need. It has also helped to build a really strong, unified national approach.

Steve and I have been in many conversations where this has been the case. Consulting with Canadians helps us to understand our counterparts in the U.S. and Mexico better. When we talk to the Canadians who are part of a trading relationship with the United States, they have clients and customers on the other side of the border—

● (1345)

The Chair: Thank you, Minister. That was good.

We're going to move over to Mr. Carrie. You have the floor.

Mr. Colin Carrie (Oshawa, CPC): Thank you very much, Mr. Chair.

Thank you, Minister. I think it's pretty obvious that we're all on Canada's side, but I have to tell you as the member of Parliament for Oshawa that we build cars, and I'm extremely concerned. Our factories are going to be significantly affected by the tariffs on steel and aluminum. We always get complaints that Canada is the highest-cost jurisdiction in which to build cars, and it's really affecting our competitiveness.

I know that when the Americans first announced these tariffs, the Prime Minister was quick to go on a victory tour in Quebec, telling workers, "We got your back." Unfortunately, we didn't get a great result there. We're being hit with these tariffs, so we know that's not the case.

When Mr. Trump says something, he means it, and he's going to follow through. Now we're threatened with these auto tariffs, and as my colleague said, the TD Bank calculates that 160,000 jobs could be affected. That's huge. It makes me extremely nervous.

I'm worried about the plan, frankly. You mentioned that auto is a priority, but Minister, in your speech last year you didn't really mention automotive as a priority. There's nothing in the budget about these tariffs in response. The government is running huge deficits. There's not a lot of fiscal room here.

You say that we have to be prepared, but what is the status of the plan? What can you do to assure auto workers that they're not going to lose their jobs? How far along are you with a plan to adapt to the eventuality of these auto tariffs?

Hon. Chrystia Freeland: Thank you for your hard work on behalf of your constituents.

The auto sector is absolutely essential to our country and to this government. It has been an absolute focus of our discussions with the U.S. about the Canada-U.S. economic relationship.

As I think this committee is well aware, the rules of origin in the automotive sector have been at the heart of our NAFTA negotiations. We have spent a great deal of time at the table with our American and Mexican counterparts and we have also consulted very closely with the car parts companies, the car companies, and the unions. We absolutely understand the centrality of the automotive sector to our economy, to our relationship with the U.S., and to NAFTA. We have been and continue to be extremely focused on it when it comes to the NAFTA negotiations.

On the section 232 investigation, let me be very clear. Canada knows, and our partners around the world in Europe, in Asia, in Mexico know this would be an unprecedented act by the United States, and we have been very clear in explaining that to our American counterparts—

Mr. Colin Carrie: We do know that, Minister.

Hon. Chrystia Freeland: It is important for us to be clear about that as a government and as a country—

Mr. Colin Carrie: We know that.

Hon. Chrystia Freeland: It's important for us also to be in very close conversation with Canadian and U.S. business about what the impact of such an action would be—

Mr. Colin Carrie: Minister, I have a very short period of time.

On the weekend I was talking to my neighbours. We're extremely worried about that. We know all that, and respectfully, I thank you for your work on that, but we don't know the plan. Today we even asked for an emergency debate.

I know the Speaker made his decision, but I'm disappointed because for me, a potential 160,000 jobs lost is an emergency. For my community, that's an emergency. For Ontario, that's an emergency. For our economy, that's an emergency.

What I'm asking you today is not things we know. What I'm asking you is, how far along is the plan?

With these other tariffs, the Prime Minister went out early and said not to worry, be happy, or that type of thing. Well, I'm worried. I don't know what the plan is and I don't know if you advised the Prime Minister to do that tour, but I would like to know the plan.

● (1350)

The Chair: Mr. Carrie, you only have 20 seconds, so let the minister answer your question.

Hon. Chrystia Freeland: With respect, let me say that the Prime Minister's response and my own on May 31, when the section 232 tariffs by the United States were announced, was firm, clear, and resolute, and it spoke to detailed preparation. Our preparations in support of the auto sector are equally detailed, and our support will be equally firm and clear, and that's a commitment.

The Chair: Thank you, Minister.

We all want to be in QP at two o'clock, so we have roughly 10 minutes to go.

Hon. Chrystia Freeland: Speak for yourself, man.

The Chair: I'm going to shave a minute off each party. We're going to go four, four, and two.

We have Mr. Fonseca for four minutes.

Mr. Peter Fonseca (Mississauga East—Cooksville, Lib.): Thank you Mr. Chair.

Thank you, Minister.

I know you have a robust plan. I thank your team for its leadership and your leadership. In the approach you've taken, you've always kept the door open. You've looked to find that common ground to continue to talk.

On this NAFTA journey, I've heard from so many companies in my riding of Mississauga East—Cooksville that do a great deal of trade with the United States. Since the beginning they've always said they've been fully engaged and they understand all the nuances, but here's what's really telling. One of my neighbours, whom I'll call Fred today—and I won't say his political stripe—has come to me numerous times. He came to me on the weekend and said he liked seeing the minister with Premier-elect Ford talking about NAFTA in that Team Canada approach. However, one of the things Fred said that he would like to know is what's holding this back. What are the barriers?

I know the U.S. administration has talked about this five-year sunset clause, and we've said that's unacceptable, it's a non-starter. Can you explain to Fred, in layman's terms, what that all means to us, and why that would not be acceptable to Canada?

Hon. Chrystia Freeland: Thank you for the question, Peter. I will try. I find that I'm able to get into very boring technical details quite quickly when it comes to NAFTA, but I'll try.

It is absolutely the case that when we look at the U.S. negotiating positions on NAFTA, there is a set of issues that we discussed earlier in response to Linda's question, which we describe as the modernization agenda. On those chapters, we're making good progress. We have closed nine of those chapters, and I think those chapters are areas in which we are really going to be able to bring NAFTA up to date to the 21st century and make a real difference to Canadians who are part of the $2.5 billion of business we do with the United States every day.

There is also a set of U.S. negotiating positions that the officials who write me notes about them describe as the "unconventional" U. S. positions. The U.S. Chamber of Commerce uses slightly stronger language and describes them as some of the "poison pill" proposals.

One of these is the proposal for a sunset clause. The idea would be that every five years, unless each country chose to opt back into NAFTA, the treaty would cease to exist. Canada is strongly opposed to that for a number of reasons.

First and foremost, we see the value in a trading agreement being that it allows businesses and workers to build permanent relationships to plan for the long term. An agreement that expires every five years has much less value.

We also make a practical point, which is, as Canadians know very well, that NAFTA already has a six-month notice clause that permits parties to exit. I will be celebrating my 20th wedding anniversary this summer, so I use marriage analogies: there is already one way for us to get divorced, and we don't think another one is necessary.

Now, I do want to be clear that when it comes to this U.S. insistence upon a sunset clause, that is very much on the table. It has not been withdrawn by the United States and it is a major sticking point for Canada. I know we have the support of Canadians in that position.

● (1355)

The Chair: Thank you, Minister.

Hon. Chrystia Freeland: Thank you.

The Chair: We're going to the Conservatives. Mr. Hoback, you have four minutes.

Mr. Randy Hoback (Prince Albert, CPC): Thank you, Chair.

Thank you, Minister. Again, Scrooge is giving me only four minutes. I could use twenty-five minutes.

I'm sorry, Chair. I didn't mean to call you Scrooge, but with the time you tend to be.

Without a doubt, I want to say thanks to the ambassador, his team in Washington, and Steve and Tim for all your hard work on that. Actually, our trade committee went down there two years ago, and when we were down there a month ago, the level of knowledge and the understanding.... I have to say I'm pretty proud that they will repeat back to us the numbers on their state that we gave them a year ago, so they get it. Unfortunately, they have no influence on the President, and that's without a doubt. We know that's still an issue and a problem, and there is stuff the PMO has to do with regard to that.

I guess what I want to get back to is that we need to have a plan moving forward. We can't assume that he's not going to do what he says he's going to do, because he's doing it. He threatened us on aluminum and steel, and he did it. He was threatening us on autos, and he did it.

Now, you know you've put tariffs in place on aluminum and steel and that this tariff is going to have some $16 billion worth of value, so you're going to collect tariffs on that. You're going to collect some 25%, let's say, so we're at roughly $2 billion or $3 billion in tariffs on that. Is that money going to go directly to the companies that are going to be impacted by these tariffs? You have companies that don't use aluminum and steel that are on that tariff list and that will be impacted, so what is your plan to help them? As these tariffs come into place, what is your plan to help them become more competitive so that they can actually be helped to ride through that and keep those jobs? Have we maybe alleviated the tax burden or maybe given them a faster capital gains exemption? Is there anything in the plan that you've put in place to do that? I haven't seen it in the budget. Have you at least looked at that?

Hon. Chrystia Freeland: I think that's a really good question. I do want to just start by addressing your initial comment.

Mr. Randy Hoback: I have only four minutes.

Hon. Chrystia Freeland: I'll be super-quick, Randy. I just want to say I have had the same experience in hearing from our American counterparties.

Mr. Randy Hoback: Okay, let's go to the meat and potatoes now.

Hon. Chrystia Freeland: Okay. Look, it is absolutely the case, as I said in response to Tracey and to Colin, that our steel and aluminum workers and industries need our support, and just as we have supported the forestry sector, we are working on a plan to support them. I agree with you also, Randy—

Mr. Randy Hoback: But you've had a year to do that. Now we have the auto sector. We know this is coming up, so I assume you're being proactive and putting a plan in place. Is that fair to say?

Hon. Chrystia Freeland: You are right in that assumption.

Mr. Randy Hoback: What does that look like? How do I go back to those auto workers and—

Hon. Chrystia Freeland: I'm not going to reveal the details today, but we are consulting carefully on the list, and what is actually on the list will have an impact. We are consulting on what kind of support the industry and workers will need.

I also want to point out that the overall economic situation is relevant. Just as we saw a price response with softwood lumber tariffs, it's going to be important to look at what the broader economic situation is in response to these U.S. measures and in response to the responsive actions taken by Canada, the EU, and Mexico. I want to be clear that the government is very seized of the issue. We believe our workers and industry need to be supported, and we will support them. That also includes the car sector.

The Chair: Mr. Hoback, one quick question and one quick answer would be good.

Mr. Randy Hoback: Actually I was going to make a quick comment.

Chair, it's very important that the trade committee get back to this issue as quickly as possible. I would make a motion that we get together next week for two meetings of four hours at least to bring in witnesses who will be impacted by the tariffs that are going to be applied against them so that Canadian companies and Canadian businesses have a good understanding of what they are going to go through as these tariffs are applied. Maybe they will have some other ideas on other alternatives to actually stand up for them without it actually being a tariff.

Andrew Coyne had a very good article this week about alternatives to tariffs and making sure that we can still push back—

The Chair: Mr. Hoback, I'm sorry; I don't want to interrupt you—

Mr. Randy Hoback: No, I actually would like to—

The Chair: You need 48 hours for notice.

Mr. Randy Hoback: No, this is a—on a point of order, Chair.

● (1400)

The Chair: Go ahead.

Mr. Randy Hoback: I don't need 48 hours. This is actually the topic of discussion today, so it slides right in with that.

The Chair: Madame Lapointe.

[*Translation*]

Ms. Linda Lapointe: I move that the debate be adjourned.

[*English*]

The Chair: Okay. That's it.

Mr. Randy Hoback: There is a motion on the floor, Chair.

The Chair: All in favour of Ms. Lapointe's motion?

(Motion agreed to)

The Chair: That settles that. It's two o'clock, and question period.

Minister, thank you for coming. I'm sorry your time was chewed up. The committee will continue to work with the Americans.

The meeting is adjourned.

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